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C. DUKES SCOTT
EXECUTIVE DIRECTOR

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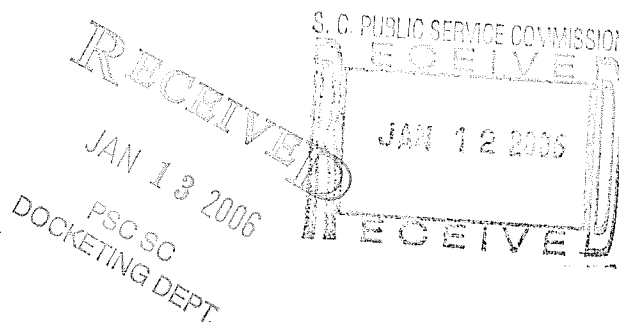


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DAN F. ARNETT
CHIEF OF STAFF

January 11, 2006

Charles L.A. Terreni
Chief Clerk & Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210



Re: Carolina Power & Light Company dba Progress Energy Carolinas, Inc. - Annual Review
of Base Rates for Fuel Costs.

Docket No.: 2005-1-E

1/13/06
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Dear Mr. Terrini:

In Progress Energy Carolinas, Inc.'s ("PEC") last fuel case proceeding (Docket No. 2005-1-E), PEC agreed to 1) provide Nucor Steel and the South Carolina Energy Users with the monthly fuel reports filed with the Commission and the Office of Regulatory Staff ("ORS") and 2) provide Nucor Steel, the ORS, and the South Carolina Energy Users with quarterly forecasts of the fuel factor PEC anticipates seeking in its next fuel case.

The purpose of this letter is to advise the Commission of PEC's fuel cost recovery status. PEC's under-recovery through December 2005 is \$39 million. Of this amount, \$32 million is a result of the settlement entered into by the parties in Docket No. 2005-1-E, and PEC will seek to recover \$16 million of this amount in the 2006 proceeding. PEC is forecasting to be under-recovered as of June 30, 2006 in the amount of \$40 million. (Again, \$32 million is a result of the settlement entered into by the parties in Docket No. 2005-1-E). In addition, PEC forecasts a need for an additional \$10 million going forward to match projected fuel costs with fuel revenues. Thus, the total increase is forecasted to be \$34 million, which will be about a .45 cent per kwh increase.

Nucor Steel and the South Carolina Energy Users have been provided this information. Also, in early December, PEC advised Nucor Steel, the Energy Users, and the ORS that PEC anticipated being under-recovered by \$41 million as of June 30, 2006 and anticipated requiring a \$37 million increase. The numbers set forth in the paragraph above represent updates to those projections.

Sincerely,

C. Dukes Scott
Executive Director

RETURN DATE: N/A
SERIAL: OK ted

Charles L.A. Terreni

January 11, 2006

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cc: Len S. Anthony, Esquire
Scott Elliott, Esquire
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